

BEFORE THE IDAHO BOARD OF TAX APPEALS

WAYNE AND SANDRA DINGMAN,	)	
	)	
Appellants,	)	APPEAL NO. 14-A-1007
	)	
v.	)	FINAL DECISION
	)	AND ORDER
VALLEY COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
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**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Valley County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPM02750020030. The appeal concerns the 2014 tax year.

This matter came on for hearing September 30, 2014 in Cascade, Idaho before Board Member Leland Heinrich. Wayne Dingman appeared at hearing for Appellants. Assessor June Fullmer represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

Following a duly-noticed hearing, the Board issued a Final Decision and Order in this matter on December 24, 2014. Appellants timely filed a motion for reconsideration based on the inadvertent omission of key exhibit pages. On January 21, 2015, the Board granted Appellants' motion for reconsideration and entered an order vacating the prior final decision. The Board now issues this decision based on the supplemented record.

**The issue on appeal concerns the market value of an improved residential property.**

**The decision of the Valley County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$54,712 and the improvements' valuation is \$289,591,

totaling \$344,303. Appellants contend the correct value is \$265,000.

Subject is a .34 acre parcel improved with a 2,239 square foot residence constructed in 1992. The multi-level subject residence includes three (3) bedrooms, three and one-half (3 ½) bathrooms, and an attached garage. The property is located near the golf course in McCall, Idaho.

Appellants purchased subject in May 2014 for \$265,000. Subject was listed on the open market beginning in May 2013 for \$299,900. In December 2013 the asking price was reduced to \$265,000. Appellants noted subject's purchase was an arm's-length transaction and contended the purchase price represented the property's full market value.

In connection with subject's purchase, Appellants commissioned an appraisal prepared by an independent fee appraiser. The appraisal considered information regarding four (4) sales to develop a value conclusion for subject. The sales were located less than 0.4 miles from subject and enjoyed views of the nearby golf course. Sale Nos. 1 and 4 were similar to the subject residence in terms of size, however, Sale No. 1 was of superior construction quality. Sale Nos. 2 and 3 were roughly 500 square feet smaller than subject, but were of similar construction quality. With the exception of Sale No. 1, the sale residences were at least ten (10) years older than subject. Sale prices were between \$235,000 and \$297,500. After applying appraisal adjustments for physical differences compared to subject, adjusted sale prices ranged from \$265,300 to \$273,200. The appraisal concluded a value of \$265,300 for subject.

Appellants also provided two (2) additional sales for comparison with subject. The

first was a 2,360 square foot residence situated on a .39 acre parcel. The property sold in May 2013 for \$194,900. The other sale concerned a .27 acre parcel improved with a 2,200 square foot residence constructed in 1993. The property sold for \$297,500 in October 2013. Both sale properties were located in subject's immediate proximity.

Respondent offered three (3) sales from 2013 in support of subject's valuation. Sale No. 1 concerned a 2,379 square foot residence constructed in 2007, which sold for \$320,000. Sale No. 2 involved a 2003 residence 1,649 square feet in size. The property sold in July for \$256,000. The final sale included a 1,923 square foot residence constructed in 1993, which sold for \$297,500. Respondent adjusted the sale prices based on physical differences between the sale properties and subject. Also included in Respondent's analysis was a 1.9% per month upward time adjustment. The time adjustment was derived from studying sales activity in McCall during 2013. After making the adjustments, Respondent determined adjusted sale prices between \$301,612 and \$361,305. Based on the sales analysis and an exterior inspection of subject, Respondent concluded subject's grade needed to be adjusted downward, and petitioned this Board to reduce subject's total value to \$313,460. Appellants contended the proposed value reduction was insufficient considering some of the interior issues experienced after subject's purchase. Respondent offered to revisit the property and conduct an interior inspection.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence

to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2014 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties offered information relevant to the sales comparison approach.

Appellants argued the best evidence of subject’s value is its 2014 purchase. The Board agrees a recent arm’s-length sale of the subject property is generally strong evidence of its market value. The problem in this instance, however, is the property sold after January 1, 2014, the controlling date of valuation in this appeal. Determining market value for assessment purposes necessarily relies on market evidence which existed prior to the assessment date. Information after the date of valuation would not be known

because it had not yet occurred. Given this, the Board is unable to rely on subject's mid-2014 purchase price as evidence of its market value on January 1.

While subject's purchase was untimely value evidence for purposes of this decision, Appellants did provide subject's listing history. Subject was placed on the market in May 2013 with an asking price of \$299,900. The asking price was subsequently reduced to \$265,000 in December 2013. Asking price is not typically regarded as definitive evidence of market value, however it can provide an indication of the upper limit of a property's value. In this regard, the Board did consider subject's listing information.

In addition to subject's purchase, Appellants provided an independent fee appraisal report. The appraisal considered information regarding four (4) sales, one (1) of which sold in 2014. For the same reason expressed above, the Board is unable to consider information occurring after January 1. The remaining three (3) sales were located in subject's neighborhood. Overall, the sale properties were generally comparable to subject, though some were older and smaller than subject. The various adjustments made to the sale prices resulted in gross adjustments between 13% and 26%. Individual adjustments appeared reasonable, however some were inconsistently applied. The appraisal concluded a value of \$265,300 for subject, which was also the lowest adjusted sale price of the sales included in the report. In all, the fee appraisal provided some useful market data for the Board's consideration despite some concerns with portions of the analysis.

Appellants also provided information on two (2) sales from 2013. Both were located in subject's immediate neighborhood, and both were generally representative of subject

in terms of age and size. Sale prices were \$194,900 and \$297,500. With respect to the lower-priced sale, the Board had some concerns with the condition of the property and its overall comparability to subject. The listing information indicated the property needed some work, though specifics were not provided. Also, with the sale price being much lower than the other sale property, as well as Appellants' estimate of subject's market value, the Board was not convinced this sale represented the best market value evidence in the record.

Respondent's sales analysis was generally well received, though there were some concerns with a few particular aspects. The most notable was the construction quality grades of Sale Nos. 2 and 3, both of which were higher than subject's. The Board would have also preferred more information related to the development of the substantive 1.9% per month time adjustment applied to the sale prices. These concerns aside, Respondent's valuation model was found to be thorough and reasonably well-supported. Sale prices were adjusted for individual differences in physical characteristics between subject and the sale properties.

In appeals to this Board, the burden is with Appellants to establish error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Between subject's listing information, the timely sales information provided by Appellants and the independent appraisal, and Respondent's sales analysis, the Board is satisfied error was demonstrated. The majority of the parties' price information, both adjusted and unadjusted, was near or below \$300,000. Given the evidence presented the Board will reduce subject's total value

to \$300,000.

Based on the above, the decision of the Valley County Board of Equalization is modified to reflect a decrease in the value of subject's improvements to \$245,288, with no change in the land value of \$54,712.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to reflect a decrease in subject's total assessed value to \$300,000, as detailed above.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellants.

DATED this 10<sup>th</sup> day of February, 2015.